



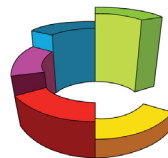
# 2013 Innovation Scorecard

## City of Fremont

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FREMONT  
CHAMBER OF COMMERCE



**GROWCalifornia**  
"Connecting Business With Opportunity"



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# Executive Summary

As with most communities across the U.S. — discussion among government officials and community-based organizations about innovation and entrepreneurship as a local economic development strategy has mostly been relegated to the 50,000 foot level.

Obtaining a clear understanding on how to most effectively support innovative growth companies versus other types of businesses in the community is essential. The needs of high-growth companies are often very different from most small businesses, as is their potential impact on the local economy.

Consequently, before embarking on job creation programs focused on innovative entrepreneurs, it's important for key stakeholders to recognize the key impediments that exist in Fremont that specifically affect this distinct segment of the business community's ability to grow.

In response to increased recognition of the importance of innovative growth companies to the local economy, the City of Fremont's Economic Development Department and the Fremont Chamber of Commerce have made a focus on growing the innovation sector a key priority to enhancing local economic competitiveness.

Recognizing the vital importance of innovative growth companies to the local economy, in November 2012 the City of Fremont engaged Grow-California to conduct an Innovation Scorecard Report in partnership with the Fremont Chamber of Commerce. The proposal had been previously presented to Fremont's Economic Development Advisory Commission with the Fremont Chamber of Commerce.

Fremont ranks number one in the U.S. for technology start-up business per capita according to a report completed by the San Francisco - based SizeUp.com, there are 21 start up companies for every 100,000 residents. The community exhibits many positive attributes such as a highly educated and skilled technical workforce who are entrepreneurially minded, excellent access to the region and nearby airports, flexible space and available land, abundant outdoor and recreational opportunities, youth sports and recreation, and good local connectivity (resources, professional services, industry executives, other companies, etc.).

However, the scorecard process identified four key impediments that are inhibiting the ability of local innovative growth companies to flourish.

***The Four Major Impediments Affecting Innovative Companies***

- 1. Access to Late-Stage Venture Capital and Private Equity*
- 2. Successful Navigation of State and Federal Government Regulations and Programs*
- 3. Securing Large-Scale Global Customers and Partners*
- 4. Innovation and Industry Linkages with Higher Education*

Fremont can generate many positive outcomes by proactively addressing the four impediments, including establishing a number of competitive differentiators as a community, such as becoming:

- 1. Known as a hub for private equity and later stage capital*
- 2. Known for helping growth companies effectively conduct business with Sacramento and Washington, D.C.*
- 3. One of the most globally connected local economies*
- 4. A key conduit to key higher education resources that help companies grow*

**2013 Fremont Innovation Capacity Score: 76**

**2018 Goal: 85**

## Fremont Background And Demographics

Fremont is conveniently served by Interstates 680 and 880, as well as rail transport lines including Altamont Commuter Express (ACE), Amtrak Capitol Corridor, and the Bay Area Rapid Transit (BART) system. Fremont has access to the San Jose Airport, Oakland Airport, San Francisco Airport and the Port of Oakland.

Fremont is home to a broad variety of innovative firms including over 1,200 high tech, biomedical technologies, and clean technology firms. Fremont has a broad range of quality, affordable business locations, a highly educated workforce; and the City has a business friendly attitude to meet business needs. Fremont is a key partner in the Silicon Valley's geographic innovation ecosystem, and brings compelling options in real estate, commute patterns, and workforce for companies seeking to move to the region.

Fremont is one of the most ethnically and culturally diverse cities in the Bay Area. Residents are attracted to Fremont for its nationally-recognized high-ranking public schools, its numerous well-kept parks, and a variety of recreational amenities, including beautiful Lake Elizabeth, Central Park, and Mission San José (California's 14th mission). Fremont is a wonderful community in which to live, work, and play.

Fremont ranks No. 1 in U.S. for technology start-up businesses per capita according to a report completed by San Francisco-based SizeUp.com, there are 21 start up companies for every 100,000 residents.

With 217,000 residents, Fremont is the second largest city in Silicon Valley and the fourth largest city in the San Francisco Bay Area. Fremont enjoys a vibrant and diversified globally connected economy with dozens of innovative firms, including such companies as Tesla, Thermo Fisher and Delta Products. Fremont provides easy access throughout the East Bay, Silicon Valley, and the Tri-Valley area, which makes it an attractive location for quality employees.

In addition to a great location, Fremont offers 40 million square feet of office, R&D, manufacturing, and warehouse building space in three technology parks ideal for development and expansion of research and development as well as advanced manufacturing facilities:

*Ardenwood (10 minutes from the Peninsula)*

*Baylands (west of Interstate 880)*

*Warm Springs (South Fremont along Interstate 680 and 880)*

The City's qualified economic development staff and the Fremont Chamber are a resource to innovative companies by:

*Helping business quickly move through the development process*

*Assisting with City permits, coordinating with local utility providers, and facilitating regional agency involvement as needed*

*Successfully helping with the expansion needs of technology firms*



## Fremont's Innovation Scorecard:

### *A Tool to Further An Innovation Agenda*

In early 2011 Grow-California created an assessment tool for local leaders seeking an innovation-driven economic development solution: The Innovation Scorecard. The Scorecard measures a region's capacity to support innovative growth companies regardless of their size. It then provides a framework to enhance a region's innovation capacity. The Scorecard can also assist local leaders in identifying their high-growth and high-growth-potential innovative companies.

Recognizing the vital importance of innovative growth companies to the local economy, in November 2012 the City of Fremont engaged Grow-California to conduct an Innovation Scorecard Report in partnership with the Fremont Chamber of Commerce. The proposal had been previously presented to Fremont's Economic Development Advisory Commission with the Fremont Chamber of Commerce.

The Scorecard provides an additional set of data inputs focused on determining impediments associated with growing innovative companies, and subsequently identifying model programs which could be explored for potential implementation in the region.

Grow-California has completed Innovation Scorecards for two other communities: Chico/Butte County and the Greater Sacramento region. In addition, Grow-California initiated an Innovation Scorecard process in Walnut Creek that was only partially completed.

Examples of Extreme Impediments identified in the scorecards for Chico/Butte County and the Greater Sacramento region include:

*Access to Early Stage Capital (both locations)*

*Ingress/Egress Out of Community (Chico/Butte County)*

*Unfulfilled Technology Transfer/Commercialization (Greater Sacramento).*

Grow-California's goal in developing Fremont's Innovation Scorecard is to present a real-world assessment of the community's innovation sector. The Innovation Scorecard establishes a baseline innovation capacity score for the community, and a process through which the Economic Development Department and Chamber of Commerce can reduce or remove altogether the



impediments to innovation using a 4-Level Innovation Maturity Model drawn from other disciplines and applied to economic development.

Over time, a community striving to advance innovation should endeavor to obtain all of the attributes associated with level 4 in the Innovation Maturity Model. At this level of maturity, the capacity to support innovation-oriented economic development is maximized, and recurring growth company success stories are accelerated.

***2013 Fremont Innovation Capacity Score: 76***

***2018 Goal: 85***

## What the Innovation Score Means

While Fremont possesses an outstanding base of technology companies and other innovative employers, it has room for improvement in several areas. The community exhibits many positive attributes such as a highly educated and skilled technical workforce who are entrepreneurially minded, excellent access to the region and three nearby airports, flexible space and available land, abundant outdoor and recreational opportunities, youth sports and recreation, and good local connectivity (resources, professional services, industry executives, other companies, etc.). However, the scorecard process identified 4 key impediments that are inhibiting the ability of local innovative growth companies to flourish.

### *The Four Major Impediments Affecting Innovative Companies*

- 1. Access to Late-Stage Venture Capital And Private Equity*
- 2. Successful Navigation of State and Federal Government Regulations and Programs*
- 3. Securing Large-Scale Global Customers and Partners*
- 4. Innovation and Industry Linkages with Higher Education*

By identifying, highlighting, and addressing these four impediments which can ultimately be turned into opportunities, Fremont is in a much stronger position to enhance its economic competitiveness in the regional, national and global marketplace. The Innovation Capacity Score provides a baseline, or a road map, through which limited resources (capital, time, energy, and expertise) can be more clearly and effectively allocated to service the community's sustained economic development.

## *Access to Late-Stage Venture Capital and Private Equity*

This issue had by a significant margin the largest gap between importance (#12 out of 60) and local capacity (#53 out of 60).

Business finance comes in varying sources of equity, debt and in rare cases grant funds, including angel investors, seed and early-stage venture capital, commercial banks, government guaranteed loans, economic development revolving loan funds and Federal Small Business Innovation Research funding among others. Publicly traded companies are able to generate capital by selling stock on public stock exchanges. This impediment identified in the Fremont Innovation Scorecard is commonly referred to as late-stage venture capital and private equity (see appendix I – Growth Capital and Private Equity Definitions).

Most businesses are unaware of the sources of late stage venture capital and other components of private equity focused on that segment of the market. In addition, in many cases, the businesses are unfamiliar with the criteria and expectations associated with that source of capital.

“Wells Fargo Commercial Banking continues to increase its business in Fremont because a growing number of technology companies have the desire



and expertise to grow rapidly and become global market leaders,” said Cindy Worthington, regional sales manager for Wells Fargo Commercial Banking in Palo Alto. “Wells Fargo has a track record of identifying and growing with emerging growth companies,” Worthington said.

“Many of these startups have commercialized their technologies

and are generating \$10 million or more in annual sales. What holds them back is lack of growth capital, which typically comes from late-stage venture capitalists and private equity funds — not the easiest sources for local startups to find or access. Emerging growth companies also can be unprepared for the expectations that come with multi-billion dollar global funds.”

The early stage is much more driven by the entrepreneur, where you're taking an idea or a nascent technology and developing it into something that's going to have high impact in the marketplace. Late-stage and growth-stage are really about scaling, so the issues are different. Running out of space is a common issue, or helping a company go international.

At this stage, the competitive landscape gets much more complex, because businesses are now on the radar of the big players, so there is a lot of discussion of partnerships vs. alliances, deciding when to fight fire with fire against the big incumbents.

Many late-stage funds only look at companies that have at least \$10 million in revenue, because they like putting large amounts of capital (often \$50 million or more) into a company, and a company needs to be at a certain scale to take that much capital. There are two phases of the typical late-stage funding business: taking a company from \$10 million to \$100 million, which is generally when a company goes public; then taking a company from \$100 million to \$1 billion in revenue.

What this means for Fremont is that there is a key segment of the financial industry that specializes in helping well-established technology companies transition into major market leaders through both an infusion of growth capital linked with unique expertise in key operational and market issues associated with scaling a company from a medium-sized company to a much larger company. This component of the financial industry is not readily apparent in most communities and requires building a knowledge base of the key players, their funding parameters, and specific geographic and industry interests. In most cases, Fremont will need to attract this capital into the community.

### ***Successful Navigation of State and Federal Government Regulations and Programs***

Fremont has numerous innovative companies who are in the manufacturing, clean tech or biomedical industries — industries highly affected by policies and regulations in Federal and State government. In particular, State and Federal government regulations, programs and subsidies designed to achieve public objectives can both positively or negatively impact a growth company depending on individual circumstances. Awareness of — not to mention understanding — the wide range of regulations and programs

affecting businesses operating in these industries is daunting. Few local businesses possess the scale to have a sophisticated, internal government relations team on staff, which affects their ability to understand, interact and navigate government-related issues, which as a result can have major impacts on their business. Participants in the Innovation Scorecard Board Room session identified this issue as extremely important, and also noted that local capacity to address these challenges was low.



“Many of Fremont’s leading innovative companies operate in environments in which government (particularly at the state and federal level) play a big role, whether biomedical technologies, manufacturing or clean technology. Navigating the regulations, permit processes, funding sources and business support programs within the state and federal bureaucracies is a complex and time consuming process. Most companies do not possess the internal expertise nor capacity to proactively

respond to the challenges and opportunities that come with the various regulations and programs. If Fremont could develop and offer that expertise, it would a tremendous resource to the many local companies who do business at the state and federal government level.” Philippe Cronet, PhD, President , AnaSpec

### ***Securing Large-Scale Global Customers and Partners***

Most innovation-based companies operate in highly competitive, national or global markets. In today’s world, vendors, suppliers, supply chain partners, other strategic partners, competitors and customers are located all over the globe. Enhanced connectivity not only throughout North America, but also Europe, Asia, Central and South America, the Middle East, and Africa, is paramount to the success of many businesses.

In fact, global connectivity to customers was identified as the single most important item by Innovation Scorecard Board Room participants, while local capacity with regard to this factor was viewed as marginal (#30 out of 60). Considering the massive impact landing a new large scale global customer can have on a business, this should be a high priority for Fremont to address.

“Virtually all of today’s market-leading companies have a global footprint. Many of these companies can be tremendous customers or channel partners for Fremont companies. Until companies reach a level of scale, its very difficult to maximize international trade potential with limited internal resources, expertise and bandwidth. To the extent, Fremont can initiate or facilitate programs and linkages that enhance our connectivity into Europe, South America, Africa, and Asia in particular, it will be a huge value add in helping us increase our international sales and grow our businesses and the local economy.” Sanjiv Malhotra Ph.D, CEO and President, Oorja Protonics Inc.



### ***Innovation and Industry Linkages with Higher Education***

While a skilled/technical workforce and business development and sales talent were viewed as extremely important by Innovation Board Room participants(#2 and #5 overall out of 60), the participants in the session viewed local capacity in terms of generating talent as relatively high (#14 out of 60 for skilled/technical work force and #10 out of 60 for business development and sales talent). This likely is at least somewhat linked to the quality of the region’s major universities serving as a recurring talent pool to Fremont companies. Several of the world’s leading higher education universities with a focus on innovation exist in the Bay Area, including nearby Stanford, UC Berkeley and San Jose State University, among others.

While the universities serve as an excellent pipeline for talent, they are renowned for their tech transfer and technology licensing programs, world-class faculty with backgrounds in key technology industries (in many instances aligned with Fremont’s innovative companies), proactive industry partnership

initiatives, and entrepreneur start-up programs and activities. This is a tremendous resource opportunity for Fremont's innovators, but is substantially under-utilized.

Participants in the Innovation Scorecard Board Room session ranked local capacity in commercialization and technology transfer, entrepreneurship programs and business/corporate industry partnerships as very low. In fact, Commercialization/Tech Transfer was ranked 57th out of 60, and entrepreneurial programs 58th. Efforts to enhance liaison activities on behalf of Fremont's companies with the higher education resources of the universities — and also with the federal labs — should be made a top priority.



## After the Scorecard:

### *Addressing the Impediments*

Addressing Fremont's impediments will necessitate the City of Fremont, the Fremont Chamber of Commerce and other local stakeholders make a sustained, long-term commitment to drive change. These impediments cannot be mitigated overnight.

Fremont Economic Development Department's goal over the next five years should be to increase the city's Innovation Capacity Score from 76 to 85 by proactively addressing the most significant impediments. Some initial thoughts on resources and model programs from across the U.S. which could be tailored for implementation in Fremont, though viewed only as a beginning point for discussion purposes, has been presented as a section in this Innovation Scorecard report.

Fremont can generate many positive outcomes by proactively addressing the four impediments, including establishing a number of competitive differentiators as a community, such as becoming:

- 1. Known as a hub for private equity and later stage capital*
- 2. Known for helping growth companies effectively conduct business with Sacramento and Washington, D.C.*
- 3. One of the most globally connected local economies*
- 4. A key conduit to key higher education resources that help companies grow*

With these attributes secure, Fremont is uniquely positioned in the regional, national, and global economy to compete effectively for quality jobs, business start-ups and new locations, and wealth generation.

# Context for the Innovation Scorecard

Innovation remains the one true economic advantage America possesses over other nations. Many important studies conclude that innovation is largely driven by entrepreneurial growth companies. Below is a snapshot of data points obtained from the National Commission on Entrepreneurship (NCOE):

*Emerging growth companies equal only 5-15% of all U.S. businesses, but created 2/3 of all net new jobs in the prior 2 decades;*

*Emerging growth companies have created 50% of innovations, and 95% of radical or revolutionary innovations;*

*Emerging growth companies have created entire new industry sectors such as biotech, online retail, social media, wireless messaging, and many others.*

Further illustrating the distinction between entrepreneurial growth companies (often referred to as Emerging Growth Companies) and small businesses, it's important to note that they come in many different forms. Grow-California has coined a 6-term typology to categorize the range of innovative companies:

## ***Start Up Sensations***

Early stage companies, almost always under 5 years, and in some cases less than 2 years, that have innovative products or services they are seeking to scale nationally or globally. Often seeking outside investment capital, or other forms of specialized start up assistance.

## ***Hidden Gems***

Important contributors to the economy and in many cases relatively unknown in their communities, these companies are often 5-15 years old, and generating between \$1-10M in annual revenue. Many maintain potential for significant growth, though in some cases they operate in niche markets.

## ***Mid-Market Marvels***

Also important contributors to the local economy, many of these businesses have been in existence for 10-25 years (or longer even) and revenue can vary widely from a few million annually to \$50M or more. They are often significant

local employers as well. While some of these companies prefer maintaining a lifestyle business orientation, others are seeking outside capital or expertise to significantly scale their company.

### ***Emerging Market Leaders***

Often these companies have highly innovative products, technologies, brands or business processes. They have the potential to become significant market leaders and local icon companies. They cut across a wide swathe of industries. In some cases, they are venture backed, in others they have grown organically with internal cash flow. They can be both early-stage companies, or long-established companies that have “turned the corner” or entered a compelling new market opportunity.

### ***Local Innovation Icons***

These companies represent a small subset of the innovation ecosystem, and well respected as major economic contributors to the local economy. In many cases they are leading employers are the envy of the community.

### ***Global Giants***

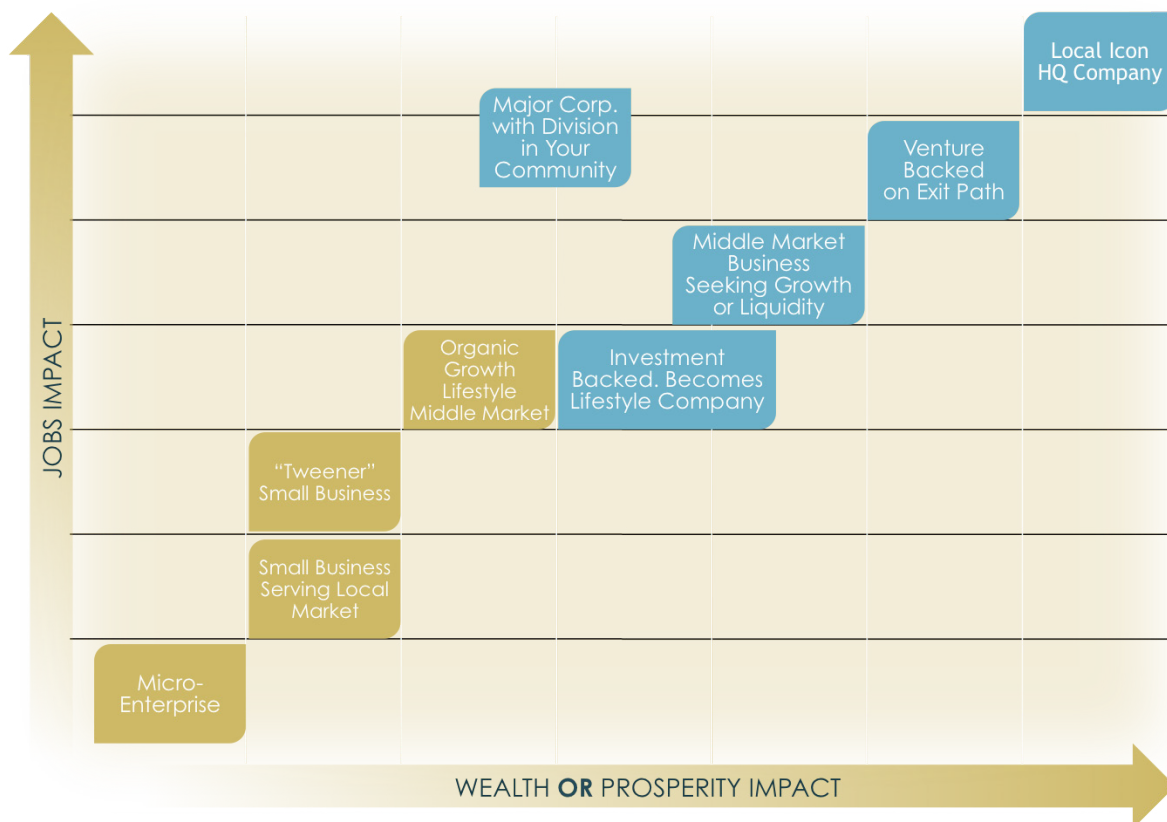
Global giants are typically local homegrown companies that achieved a significant amount of success, and then were acquired by a major national or global company. Alternatively, they can be companies with headquarters elsewhere, but who establish a division or subsidiary in the community. They continue to have local leadership involved in influencing and decision-making of the company.

# The Local Business Taxonomy

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The underlying premise of the Innovation Scorecard is based on a concept Grow-California has created called the Local Business Taxonomy, pictured below. Using the vertical axis for jobs impact, and the horizontal axis for wealth or prosperity impact, the Taxonomy identifies the many different types of businesses that exist in a community, and illustrates that certain businesses have a much higher propensity to create jobs and wealth. For example, a microenterprise, denoted on the bottom left of the graphic, has a much smaller impact than a local icon headquarters company, as depicted far upper right.

Innovation-oriented businesses are those presented on the right half of the graphic (and befitting of the Grow-California 6-term Entrepreneur Typology described in the previous section). To the extent a city's innovation-focused collaborative is able to identify its innovate growth companies — and then systematically bring resources from both inside and outside the community to help these companies grow — it will stand a better chance of enhancing prosperity, generating wealth, and growing quality jobs.

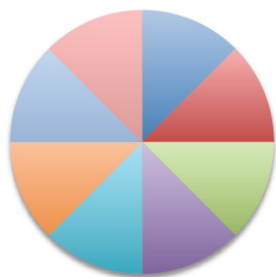


## Unique Impact of Innovative Growth Companies

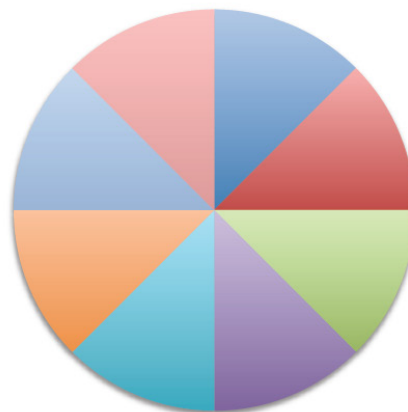
What is common among these businesses is that they are scalable, selling highly-differentiated products or services into national, and sometimes, global markets. These companies bring new dollars into the city. When Fremont's innovative growth companies achieve their business milestones, they grow and create jobs — and generate new tax revenue for essential public services. Moreover, they often serve as springboard companies that can foster new industry clusters. Simply put, when they succeed, metaphorically, the region's "Economic Pie" grows. As depicted below, not only does the size of the pie get bigger, but so do the individual slices.

In today's dynamic global economy, Fremont needs ways to increase its economic pie by being better able to support these types of businesses.

### ***Positive Impact of Innovative Growth Companies Selling to National and Global Markets***



*Fremont's Economic Pie*

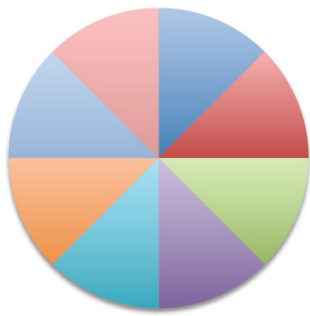


*Fremont's Economic Pie when local innovative companies sell products into the National and Global markets*

It is important to differentiate this small subset of businesses (generally 5% or less of the business community) that sell innovative, highly-differentiated products nationally and globally from the other 95% that sell almost exclusively into the local economy. An important consideration relative to establishing economic development strategies is that the success of one

business selling solely into the local community often comes at the loss of another local business. Using the economic pie metaphor, the process of local, national and global businesses selling into the local economy either carves up the community's economic pie into more slices, or redistributes the size of the individual slices. Unfortunately, it rarely grows the size of the pie! This "shifting" versus "growing" of the economic pie is illustrated below. By helping Fremont-based companies increase their market share (internationally), the community helps the local economy, the regional Silicon Valley economy, the state economy, and the country's economy.

***Minimal Impact of Competing Businesses...Selling to the Same Market***



*Fremont's Economic Pie*



*Fremont's Economic Pie when local innovative companies sell into the same local market*

## The Innovation Value Chain

Every innovation-oriented industry has its own unique Innovation Value Chain. Within this chain exists a number of contributors and influencers, including:

*Regulators and Policymakers*

*Media and Trade groups*

*Thought Leaders*

*Capital Sources (Debt, Equity and Grant)*

*Industry Executives*

*Sales and Marketing Professionals*

*Universities and Federal Labs*

*International Trade Liaisons*

*M&A Firms and Business Brokers*

*Investment Bankers*

*Professional Services Providers (Accounting, Legal, Valuation, PR, etc.)*

*Raw Materials Providers, Suppliers and Vendors*

*Logistics, Transportation and Distribution Organizations*

*Strategic Business Development Partners and Acquirers*

*Customers and Competitors*

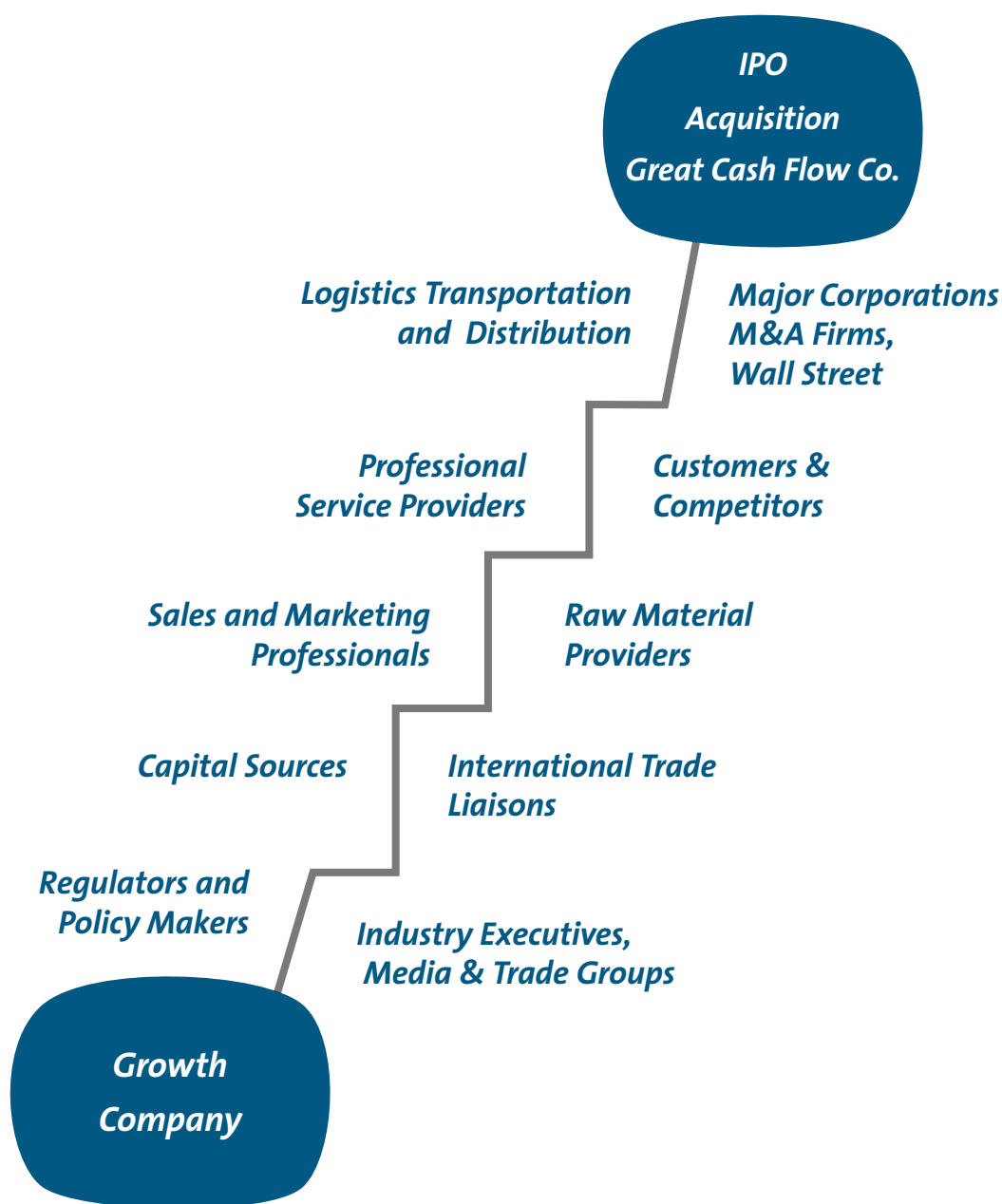
*Start-ups, Early-Stage, Mid-Stage and Late-Stage Companies*

*Market Leaders and Global Giants*

Lack of access to the proper value chain element, can severely restrict, and even kill, a growth business. Conversely, accessing the most effective value chain element can dramatically enhance its potential for growth. Successfully navigating the maze of value chain influencers requires key decisions by the company's management team through an ongoing series of "pivot points" during the life cycle of the business.



Impediments to a region's innovation capacity often can be found in its inability to directly or indirectly impact elements of the value chain to the benefit of the innovator. To the extent a community is successful in addressing impediments found in the value chain — and is able to help its companies navigate through the value chain maze — it is undertaking what Grow-California refers to as “pivot point” economic development” (see illustration of Pivot Point Economic Development below).



## The Innovation Scorecard Process

Grow-California's Innovation Scorecard efforts in Fremont involved a methodology that incorporated multiple contributors and/or influencers of the innovation ecosystem into a discovery and analytical process that assessed the state of local innovation capacity.

The Scorecards were explained during a focus group called the Innovation Board Room held at the Fremont Marriott on Thursday, November 29, 2012. Twenty key community and innovation stakeholders along with the city's Economic Development Department staff and Fremont Chamber of Commerce attended the event. The purpose of the session was two-fold: (1) develop a shared understanding among the community's stakeholders about the innovation value chain and the impediments which can inhibit innovation; and (2) to identify local innovative firms in the region that are currently, or could, positively impact the economy.

During the Board Room session Grow-California executives facilitated a process designed to capture data on the importance and local capacity of 60 factors influencing innovative growth companies. Participants were provided ranking sheets from which they shared their perspectives on the factors, which were drawn from 11 major categories. These 11 categories (and the 60 factors) have been determined by Grow-California-based on input gleaned from over 1,500 innovative companies and 300 angel investors and venture capitalists since 1999 — to be of potential impact to innovative growth companies. They include:

*Business Success*

*Capital*

*Global Connectivity*

*Advocacy*

*Facilities*

*Sense of Place*

*Technical Resources*

*University/Higher Education*

*Talent*

*Local Connectivity*

*Transportation/Logistics*

From the list of factors, input was requested in two ways. First, participants disclosed their perception of each factor in terms of its importance to innovative growth companies. Second, they provided their perception of local capacity as its related to the factor. Importantly, participants were required to select exactly 20 items each as either Very Important, Important, or Not as Important (see Appendix II – Innovation Scorecard).

Two additional founders or CEOs of regional technology companies who were unable to participate in-person at the Innovation Board Room session provided their input independently, sending in their ranking sheets electronically.

Ultimately, contributors to the data included a mix of entrepreneurs, CEOs, specialized professional services providers, bankers investors, education, government and economic development leaders. Participants included:

*Albert R. Hill, Jr., Sand Hill Advisors, LLC, Workspace Fremont*

*Alex Kurosawa, Start-Up 101 Ventures*

*Benny Ng, Hurricane Electric*

*Cathy Caday, Technology Credit Union*

*Chip Sutherland, CBRE*

*Cindy Worthington, Wells Fargo*

*Fred J. Ortiz, dB Control*

*Greg Matter, Jones Lang LaSalle*

*Herman White, Venture Capitalist and Banker*

*John Dutra, EDAC, Dutra Enterprises, Inc.*

*Kelly Kline, City of Fremont*

*Lubab Sheet, LAM Research Corporation*

*Medina Ahadi, Technology Credit Union*

*Michael Lu, SingerLewak, LLP*

*Mike Leber, Hurricane Electric*

*Nina Moore, Fremont Chamber of Commerce*

*Paul Kozachenko, Gonsalves & Kozachenko*

*Philippe Cronet, AnaSpec*

*Sanjiv Malhotra, Oorja Protonics*

*Sinkim Chew, IMI Energy Solutions*

*Tim Tran, EDAC, The IVY Group*

*Wai Wong, Summus Software*

Grow-California's Managing Directors observed some key distinctiveness during the Fremont Board Room session that were unique from the two Scorecard projects it has completed in Sacramento and Chico:

1. A unique proximity to the heart of the venture capital industry less than 15 miles to the west, both for early-stage capital for young companies, but also later-stage venture capital and private equity for the more mature companies. Despite the proximity, it was observed that there was a lack of existing relationships currently in place with the later-stage, often billion dollar, global venture and private equity funds.

2. The City of Fremont and the Fremont Chamber of Commerce are already jointly working to recruit and retain businesses and grow jobs, but are looking for strategies to evaluate and increase their effectiveness.

3. Fremont has a unique ability to establish a competitive brand for itself vis-à-vis other regions based on successfully addressing one or more of the impediments that were identified throughout the course of the group discussions and in viewing the score sheets completed by the Board Room participants.

Grow-California input all of the data into its Innovation Scorecard data framework built in consultation with an Academic Advisor. From the data, a “Top 12” was established for four different categories:

- (1) Most Important to Innovation Capacity;
- (2) Highest Local Capacity;
- (3) Least Important to Innovation Capacity;
- (4) Lowest Local Capacity.

The “Top 12” for each is presented below.

## ***Most Important to Innovation Capacity***

- 1. Global Connectivity, Customers
- 2. Skilled/Technical Workforce
- 3. Housing
- 4. Local Connectivity, Services and Talent
- 5. Business Development and Sales Talent
- 6. Comparable Cost of Doing Business
- 7. Local Advocacy
- 8. State of California Advocacy
- 9. Talent in the Regional Marketplace
- 10. Banks/Corporate Finance
- 11. Capital Raising
- 12. Late Stage VC/Private Equity

***Highest Regional Capacity***

1. Flex Space
2. Available Land
3. Outdoor/Recreational Opportunities
4. Industry Veterans
5. Airport Transportation
6. Talent in the Regional Marketplace
7. Access to Outdoor Activities
8. Quality of K-12 School Programs
9. Connections Locally
10. Business Development and Sales Talent
11. Web/IT and Tech Service Providers
12. Banks/Corporate Finance

***Least Important to Innovation Capacity***

1. Cultural Events
2. Spousal Employment Opportunities
3. Conference Centers
4. Bike Travel
5. Outdoor/Recreational Opportunities
6. Youth Sports and Recreation
7. Outside Versus Local Executives
8. Access to Outdoor Activities
9. Access to Child Care
10. Trade Associations
11. Spin-Offs
12. Alternative Debt

### ***Lowest Regional Capacity***

1. Grants
2. Cultural Events
3. Entrepreneurship Programs
4. Commercialization/Tech Transfer Initiatives
5. M&A Advisory Services
6. Federal Advocacy
7. Liquidity Events
8. Late Stage VC/Private Equity
9. Bus Transportation
10. Bike Travel
11. Regulatory Agencies Advocacy
12. Conference Centers

## **Gap Analysis**

Grow-California executives then performed a gap analysis based on the data collected from the ranking sheets in terms of participants' perception of importance of the factor to innovation readiness versus regional capacity. The disparity of the gap — along with the factor's overall perceived importance — is what determined the level of impediments, as follows:

**1. Extreme Impediments.** The most significant gaps (between factors deemed important for innovation and current capacity) are considered Extreme Impediments. This greater than 20% gap represents impediments that are deemed to be the most problematic.

**2. Impediments.** The second greater than 20% gaps are deemed problematic, yet less critical. They, too, merit (lesser) attention during implementation.



**3. Minor Impediments.** The third are deemed Minor and are believed to be manageable without significant intervention.

**4. Low Value.** So called, “Low Value” gaps reflect a minor gap between capacity and importance. Fremont ranks well with respect to its capacity for the factor, yet the factor is not deemed important to foster innovative firms.

**5. Extreme Low Value.** The most significant gaps between capacity and importance (i.e., significant capacity coupled with insignificant affect on innovation) are identified as Extremely Low Value.

After organizing all of the data into the various impediment categories, four Extreme impediments and several local strengths were identified. Because Grow-California executives believe it is essential for a community to maintain sustained focus on 3 to 5 highest-priority items (in the case of addressing Extreme Impediments) it has not included a detailed description of the impediments that were not viewed as critical items. Our experience as economic development executives on a local, regional and statewide basis over the past three decades is that a common pitfall occurs when job creation strategies attempt to tackle too many priorities, and spread scarce resources too thin, to the point that nothing significant is accomplished, and is not sustainable.

### ***Extreme Impediments***

1. Access to Late Stage Venture Capital and Private Equity
2. Successful Navigation of State and Federal Government Regulations and Programs
3. Securing Large-Scale Global Customers and Partners
4. Innovation and Industry Linkages with Higher Education

### ***Tier 2 Impediments***

1. Capital Raising (Of All Kinds)
2. Skilled/Technical Work Force

In addition to impediments, a number of local and regional strengths were identified.

***Important Local Strengths:***

1. Talent in the Regional Marketplace
2. Airport and Air Transportation

***Solid Regional Strengths:***

1. Quality of K-12 School Programs
2. Availability of Industry Veterans

***Modest Regional Strengths:***

1. Comparable Cost of Living (Versus Other Locations in the Bay Area/Silicon Valley)
2. Getting in and out of the Community (Logistics/Transportation)
3. Local Connectivity

***Major or Solid Local Strengths*** (But Not Viewed as Important to Innovation Readiness in Relation to Other More Significant Factors):

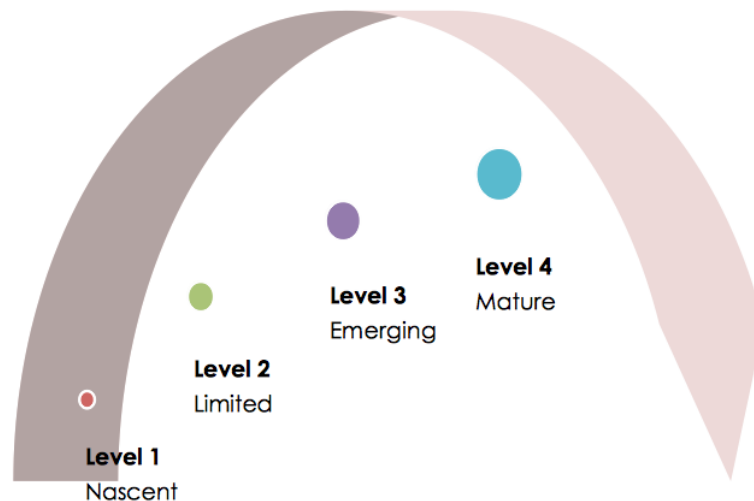
1. Available Land
2. Flex Space (see footnote)
3. Access to Outdoor/Recreational Activities

**Footnote:** Flex Space — defined as a building providing its occupants the flexibility of utilizing the space. Usually provides a configuration allowing a flexible amount of office or showroom space in combination with manufacturing, laboratory, warehouse distribution, etc. Typically also provides the flexibility to relocate overhead doors. Generally constructed with little or no common areas, load-bearing floors, loading dock facilities and high ceilings.

## Innovation Maturity Model

Building a robust local economic environment that fosters innovative growth companies does not happen overnight. The innovation leadership that Silicon Valley enjoys today took decades to come to fruition through a combination of both planned and serendipitous events that fed off each other. To help communities navigate the process of creating such an environment, Grow-California has created a 4-Level Innovation Maturity Model so key stakeholders can benchmark progress over time in mitigating the impediments inhibiting the ability of innovators to grow.

In ascending order, the levels of the Maturity Model include (1) Nascent Level; (2) Limited Level; (3) Emerging Level; and (4) Mature Level. Because the Innovation Scorecard is intended to help communities identify and address their 3-to-5 most-pressing impediments, identified impediments will, in most cases, be at the Nascent or Limited Stage.



Fremont's four Extreme Impediments are currently at the following level of Innovation Maturity:

1. Access to Late-Stage Venture Capital and Private Equity (Nascent)
2. Successful Navigation of State and Federal Government Regulations and Programs (Nascent to Limited)
3. Securing Large-Scale Global Customers and Partners (Nascent to Limited)
4. Innovation and Industry Linkages with Higher Education (Nascent to Limited)

# Addressing the Extreme Impediments

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To accelerate realization of the benefits of locally-developed innovative firms, a number of recommendations, resources and model programs identified from across the country have been made to address the 4 Extreme Impediments. To the extent Fremont can improve its Innovation Capacity Score from 76 to 85 over a 5-year period of focused activity; it will be able to transition from primarily a “nascent to Limited” level of Innovation Maturity up to the 3rd and 4th levels of the Maturity Model.

Based on the identified major impediments, Grow-California undertook efforts to identify successful programs and initiatives launched in other regions of the U.S. that are generally addressing innovation and entrepreneurship, but more specifically efforts around improving late-stage capital access, navigating state and federal regulations and programs, attracting large-scale global customers and partners, and enhancing innovation and industry linkages with higher education.

It's important to note that Grow California's initial research was only at a cursory level, and should be viewed as a starting point. Significant further study and exploration should be considered to refine approaches Fremont may wish to consider to address each impediment.

Model Programs and/or organizations Fremont should explore include:

## ***Impediment #1 – Access to Late Stage Venture Capital and Private Equity***

Fremont's economic development department should become a trusted, knowledgeable information resource about late stage capital, and serve as a matchmaker between Fremont companies and the sources of this capital. First, it should acquire one of several annual directories that provide a wealth of information about entities that provide late stage funding. Private equity directories provide timely and accurate information on active investors, allocation history, and senior-level contacts at LPs and GPs. Private equity directories also help you spot business opportunity before your competitors do and enable you to move more quickly to take advantage of it. A couple of examples are provided below. In addition, it should consider the following:

**a.** Attend major annual private equity conferences, and consider being an exhibitor to raise Fremont's profile among this key constituency.

**b.** Initiate an outward-focused visitation program and schedule 5-10 key meetings per year with executives from late stage funding entities; ideally research the firm in advance and bring along one or more Fremont companies who are in the industry categories that the funding entity provides capital for.

**c.** Initiate an inward focused outreach program to late stage funding entities inviting them to Fremont as a special guest of a series of functions or events focused on late stage capital. As part of this endeavor, schedule a tour for them of some of Fremont's most compelling companies (but ensure that the companies are within the areas of funding interest of the entity). Perhaps even host an annual regionally-focused conference on late stage capital in order to generate a critical mass of engagement and interest (both from funders and companies).

**d.** Work closely with Manex — and other organizations like Manex — [www.manexconsulting.com](http://www.manexconsulting.com) — who provide a variety of services to local businesses designed to improve their ability to raise capital and grow the enterprise.

Below are examples of resources and/or programs that Fremont should consider:

### ***Dow Jones publishes industry-leading private equity directories***

Dow Jones offers several private equity directories designed to provide you with the data you need to win in this highly competitive market. The Galante's Venture Capital & Private Equity Directory is a comprehensive resource for finding, evaluating, and contacting your next investor, co-investor, or key client. Available in print or through 24/7 online access, Galante's puts at your fingertips the updated senior-level contacts and investment criteria for more than 3,000 private equity, venture capital, and mezzanine investment professionals. Featuring only active investors and the most robust listing of

International firms, Galante's ensures the highest level of accuracy through regular updates and maintenance to the database.

The Directory of Venture Capital & Private Equity Firms, completely revised and enhanced for 2013, is designed to give librarians, entrepreneurs and others interested in the Venture Capital and Private Equity fields, the most essential and current information on the Venture Capital industry.

This new edition has been extensively updated with thousands of updates and enhancements to existing listings and the addition of many new Venture Capital Firms and Private Equity Firms, to offer direct access to over 2,300 Domestic & International Venture Capital and Private Equity Firms, with detailed Contact Information and Extensive Data on Investment and Funds.

This new edition features up-to-date, comprehensive data on each firm including address, phone and fax numbers, e-mail and web site addresses for both the primary and branch locations. You'll find details on the firm's Mission Statement, Industry Group Preferences, Geographic Preferences, Average and Minimum Investments and Investment Criteria.

### ***Impediment #2 – Successful Navigation of State And Federal Government Regulations and Programs***

The Fremont Chamber is currently working on identifying specific industry councils they wish to pull together, specifically biotech, clean tech and advanced manufacturing (as relates to the Innovation Scorecard.) Grow California and the Fremont Chamber believes that such councils, working with their local Economic Development organization and regional economic development alliances, can play a vital role in economic expansion and job creation.

**a.** Serve as an “outsourced compliance liaison”. As part of this activity, identify specific industries and agencies to focus on, and become a trusted “go to” source of intel and serve as a liaison to “get things done” on behalf of your innovative growth companies. Fremont might consider discussing with its existing Washington, D.C. lobbyist the potential of expanding their role to incorporate this type of function.

**b.** Participate in and expand efforts of the Fremont Chamber and City to focus on specific industry sectors and their needs, through local industry councils that: discuss collective needs, recruit speakers on relevant topics, brainstorm and develop solutions to specific problems, and participate in local lobbying efforts and advocacy trips to Sacramento and Washington, D.C.

**c.** Identify specific agency leaders and elected officials who influence key issues of importance to Fremont’s growth companies.

**d.** Expand collaborative efforts with regional economic development agencies and business organizations to promote regional economic expansion and strengthen advocacy efforts.

**e.** Participate in “government trade missions” to Sacramento and/or Washington, D.C. on behalf of key issues specifically affecting local growth companies. As part of this effort, identify specific agency leaders or elected officials who influence the identified issues.

Below are examples of resources and/or programs that Fremont should consider:



In its 43rd year, the Metro Chamber’s Capitol-to-Capitol effort has grown to be the largest travel program in the chamber’s history and continues to be the largest lobbying effort of its kind in the nation. Cap-to-Cap, as it’s commonly known, provides a unique opportunity for business and community leaders to align around issues concerning the six-county Sacramento region and to work directly with congressional delegates to organize broad-base support for critical initiatives. Participants also value the chance to network and do business with other peer leaders from the region.

### ***New Zealand Trade & Enterprise***

Created engagement programs between domestic and international biotech firms (including Johnson & Johnson, Procter & Gamble, and AstraZeneca) to help facilitate strong partnerships and capital generation for emerging New Zealand firms.

Worked directly with entrepreneurs to construct grant proposals and presented proposals to the NZ Gov't.

Conducted in-depth business analyses to find corporate partners with a product base that could be augmented by New Zealand companies' innovative technology.

Acted as a direct liaison for the NZ government and dealt directly with representatives of large MNCs (e.g. Procter & Gamble and AstraZeneca).

### ***Impediment #3 – Securing Large-Scale Global Customers and Partners***

There are several ways to address the global customer impediment. First, Fremont needs to determine whether it wishes to focus on a specific country or region (China or Southeast Asia, as an example) or a specific industry (renewable energy/cleantech), or both. Some approaches include:

**a.** Identify and partner with a regionally-based organization or individuals who already serve as expert conduits to key foreign markets — perhaps discuss linkages with San Jose State University's President who has a high degree of interest in this topic.

**b.** Establish a Fremont Industry Advisory Board comprised of Senior Executives and Technology Scouts from Fortune 1000 companies.

**c.** Proactively use the "Advanced Search" mechanism of LinkedIn to be a connector to major companies on behalf of Fremont businesses.

**d.** Every year attend, sponsor or host a major corporate conference, (like Inc. 500 annual conference) or key global industry-specific conferences (Clean Tech, Manufacturing, Healthcare, etc.) and build a growing base of key corporate contacts.

**e.** Create, an "Outsourced Business Development Advisor" role within, or outside, the Fremont Economic Development Department and focus on ongoing customer and strategic partner linkages for local growth companies.

**f.** Participate in State or Federal International Trade Missions that are most aligned with Fremont's leading industries and growth companies.

Below are examples of resources and/or programs that Fremont should consider:



### ***Chamber Discoveries***

*Chamber Discoveries is a leader in travel for chambers of commerce in America. They understand the special needs of chamber travelers and have designed their journeys with those desires in mind. They arrange for chamber members to get-together with a local overseas chamber. This takes the form of either a business mixer or industry specific workshop, where the chamber members and the local chamber people come together to talk, exchange ideas and possibly start business relationships with each other.*

*These private, one-of-a-kind journeys to fascinating locations provide chamber members with unique insight, great accommodations, and local cuisine.*

### ***Department of Commerce Organized Trade Missions***

Department of Commerce trade missions are overseas programs for U.S. firms that want to explore and pursue export opportunities by meeting directly with potential clients in their markets.

#### ***Trade missions include:***

One-to-one meetings with foreign industry executives and government officials, pre-screened to match your specific business objectives whether for representation, direct sales or joint ventures in the local market.

Networking events with guests from local industry multipliers including Chambers of Commerce, associations and business councils that are influential in the business community.

Briefings and roundtables with the legal and business community on local business practices and opportunities.

Site visits to local facilities where your technologies/services may be applied.

Media coverage.

### ***Certified Trade Missions***

The Department of Commerce also certifies trade missions that are organized by state and private sector organizations and hosted by Department of Commerce's Commercial Service overseas offices.

For more information, contact the Trade Missions Program Director: Sherry Lewis-Khanna at [Sherry.Lewis-Khanna@trade.gov](mailto:Sherry.Lewis-Khanna@trade.gov) or 202-482-4519.

### ***04/2013 China Medical Equipment Fair***

April 2013, Asia, Bio-Med

April 2013 (Shen Zhen, CHINA)

The China Medical Equipment fair hosts 57,000 visitors from 31 provinces of China and more than 70 countries around the world; 88% of the visitors are either decision makers from hospitals and government agencies or distributors and agents of medical equipment and supplies. China is building hundreds of hospitals each year to meet demand for healthcare services. This event is geared towards California medical equipment and supplies companies with market ready products and services that are looking to enter or expand in the China marketplace.

California Pavilion at CMEF 2012

#### ***EXCLUSIVE California State Trade and Export Promotion Package:***

Discounted booth space — \$2,100 discount on booth space in a “California” themed pavilion, with turn-key booth set-up (fascia with your Company Name prominently displayed, counter, meeting table with chairs, carpeting and electricity).

Business connections — Research, identification and scheduling of up to 3 meetings with qualified strategic partners in China based upon your product and segment.

Regulatory assistance — Briefing on product registration process in China by a local expert.

Other networking and promotional opportunities — Receptions, printing and distribution of a “California Pocket Guide” (5,000 copies distributed at CMEF) featuring your company contact, booth and product info.

This exclusive benefits package is available to the first 12 California (STEP eligible) companies. Please respond soon — CMEF show space sells out quickly.

### ***Impediment #4 – Innovation and Industry Linkages with Higher Education***

Approaches to pursue with respect to this impediment include:

**a.** Pursue opportunities for Fremont companies to have Advisory Board (or other Leadership Roles) within the innovation oriented programs occurring at the Universities.

**b.** Capitalize upon the relationships already established between the Fremont Chamber of Commerce and regional for-profit and non-profit education institutions by including regional four year universities in a formal effort to develop programs that meet the needs of innovation companies.

**c.** Create a University/Industry liaison function within the city's economic development department or economic development commission.

**d.** Host university innovation-oriented programs in Fremont or create an annual recognition ceremony highlighting and honoring local success in higher education and industry partnerships.

Below are examples of resources and/or programs that Fremont should consider:

#### ***Ohio State Industry Liaison Office***

The Industry Liaison Office (ILO) was launched in December 2008 to foster economic development opportunities in Ohio and beyond by connecting business and industry to Ohio State discoveries, ground-breaking research, and experts in targeted research areas.

Ohio State has achieved world-class status in such areas as global climate change, materials research, electromagnetics, medical imaging, cancer, infectious and cardiovascular diseases, environmental sciences, and ag bioproducts.

The Industry Liaison Office (ILO) serves as the “gateway” to Ohio State innovation and expertise, connecting business and industry to Ohio State discoveries and ground-breaking research.

## **CIFAR**

CIFAR is a California-centered, global-focused food technology network and innovation hub housed within the leading food science program in the United States. CIFAR's affiliates have realized it is a unique organization that yields high value returns on their membership investment. By understanding the needs of both the business community and researchers, CIFAR offers specialized connectivity of their particular interests with a network of relevant individuals and programs. CIFAR includes 38 member affiliates, 11 advisors, 26 faculty and 8 students.



## Fremont's Innovators:

### *Companies to Watch*

Unique to Fremont's Innovation Scorecard project, Grow-California's executives observed a higher concentration of well-established technology companies that provide a unique opportunity for a critical mass of potential "game changing companies" whom already have significant customers and in some cases global market penetration — a concerted effort directed at one or more of these companies could foster a market leadership position for Fremont as a centerpiece for one or more industries.

To be included companies generally must possess the following attributes:

- 1. Growth-focused:** Indicated by revenue and employee growth, both historically and projected.
- 2. Large markets:** Statewide, national or global, indicated by the current or project customer base, or key strategic partners.
- 3. Locally owned or operated:** Local headquarters, or in the case of a subsidiary, significant local operational decision making and local management of operations.
- 4. Innovative Products:** Indicated by patents, trademarks, copyrights or unique business process that yield a significant competitive advantage.
- 5. Exclusions:** Local branches of multi-national corporations that focus on selling to local markets, franchises (except for headquarters), regionally focused retail and service businesses are generally not considered innovative growth companies.

Collectively, the companies identified below comprise a growing and powerful force in Fremont. Yet, in many cases, they are operating "under the radar screen". As a starting point, capturing benchmark data on some key economic metrics associated with this group of companies would be extremely valuable and should be initiated as soon as possible.

Alter-G, [www.alterg.com](http://www.alterg.com)

Anaspec, [www.anaspec.com](http://www.anaspec.com)

Applied Ceramics, [www.appliedceramics.com](http://www.appliedceramics.com)

Arbor Vita, [www.arborvita.com](http://www.arborvita.com)

Arcsoft, [www.arcsoft.com](http://www.arcsoft.com)

Bit Micro, [www.bitmicro.com](http://www.bitmicro.com)

Black Screen Technology, [www.blackscreentechnology.com](http://www.blackscreentechnology.com)

Boehringer Ingelheim, [www.boehringer-ingelheim.com](http://www.boehringer-ingelheim.com)

Bruker Biospin, [www.bruker.com](http://www.bruker.com)

Celestix, [www.celestix.com](http://www.celestix.com)

Corsair Memory, [www.corsair.com](http://www.corsair.com)

dB Control, [www.dbcontrol.com](http://www.dbcontrol.com)

Delta, [www.delta-america.com](http://www.delta-america.com)

Essai, [www.essai.com](http://www.essai.com)

ESS Tech, [www.esstech.com](http://www.esstech.com)

Exar, [www.exar.com](http://www.exar.com)

Excelitas, [www.excelitas.com](http://www.excelitas.com)

Hurricane Electric, [www.he.net](http://www.he.net)

Innopath, [www.innopath.com](http://www.innopath.com)

Johnson Controls, [www.johnsoncontrols.com](http://www.johnsoncontrols.com)

LAM Research, [www.lamrc.com](http://www.lamrc.com)

Mattson Technology, [www.mattson.com](http://www.mattson.com)

Men's Wearhouse, [www.menswearhouse.com](http://www.menswearhouse.com)

Mentor Graphics, [www.mentor.com](http://www.mentor.com)

Micron Consumer Products Group, [www.lexar.com](http://www.lexar.com)

Mitac, [www.mitac.com](http://www.mitac.com)

NDC Nitinol, [www.nitinol.com](http://www.nitinol.com)

Oorja, [www.oorjafuelcells.com](http://www.oorjafuelcells.com)

Procera Networks, [www.proceranetworks.com](http://www.proceranetworks.com)

Polymeright, [www.polymeright.com](http://www.polymeright.com)

Quanta, [www.quanta.comtw/Quanta/english/Default.Asp](http://www.quanta.comtw/Quanta/english/Default.Asp)

Redwood Systems, [www.redwoodsystems.com](http://www.redwoodsystems.com)

RETC, [www.retc-ca.com](http://www.retc-ca.com)

Seagate, [www.seagate.com](http://www.seagate.com)

Silevo, [www.silevosolar.com](http://www.silevosolar.com)

Silicon Graphics, [www.sgi.com](http://www.sgi.com)

Sogen, [www.sogen.net](http://www.sogen.net)

Solaria, [www.solaria.com](http://www.solaria.com)

Soraa, [www.soraa.com](http://www.soraa.com)

Synnex, [www.synnex.com](http://www.synnex.com)

Tesla, [www.teslamotors.com](http://www.teslamotors.com)

Thermofisher Scientific, [www.thermofisher.com](http://www.thermofisher.com)

UL Labs, [www.ul.com](http://www.ul.com)

Unigen, [www.unigen.com](http://www.unigen.com)

Volterra, [www.volterra.com](http://www.volterra.com)

Wafergen, [www.wafergen.com](http://www.wafergen.com)

Western Digital, [www.wdc.com](http://www.wdc.com)

## *Growth Capital and Private Equity Definitions*

Growth capital (also called expansion capital and growth equity) is a type of private equity investment, most often a minority investment, in relatively mature companies that are looking for capital to expand or restructure operations, enter new markets or finance a significant acquisition without a change of control of the business.[1]

Companies that seek growth capital will often do so in order to finance a transformational event in their life cycle. These companies are likely to be more mature than venture capital funded companies, able to generate revenue and operating profits but unable to generate sufficient cash to fund major expansions, acquisitions or other investments. Because of this lack of scale these companies generally can find few alternative conduits to secure capital for growth, so access to growth equity can be critical to pursue necessary facility expansion, sales and marketing initiatives, equipment purchases, and new product development.[2] Growth capital can also be used to effect a restructuring of a company's balance sheet, particularly to reduce the amount of leverage (or debt) the company has on its balance sheet.

Growth capital is often structured as either common equity or preferred equity, although certain investors will use various hybrid securities that include a contractual return (i.e., interest payments) in addition to an ownership interest in the company. Often, companies that seek growth capital investments are not good candidates to borrow additional debt, either because of the stability of the company's earnings or because of its existing debt levels.

In finance, private equity is an asset class consisting of equity securities in operating companies that are not publicly traded on a stock exchange.[1]

Bloomberg Businessweek has called private equity a rebranding of leveraged buyout firms after the 1980s. Among the most common investment strategies in private equity are: leveraged buyouts, venture capital, growth capital, distressed investments and mezzanine capital. In a typical leveraged buyout transaction, a private equity firm buys majority control of an existing or mature firm. This is distinct from a venture capital or growth capital investment, in which the investors (typically venture capital firms or angel investors) invest in young or emerging companies, and rarely obtain majority control.



# Appendix II

## *The Innovation Scorecard*

	Lastname		Perspective					
	Firstname							
			Importance			Capacity		
ID	Category	Innovation-Growth Factor	Most	Very	Important	High	Medium	Low
1	Business Success	Capital Raising						
2	Business Success	Connections Locally						
3	Business Success	Large Deals with Customers and Partners						
4	Business Success	Liquidity Events						
5	Business Success	More Value Chain Members						
6	Business Success	New Facilities						
7	Business Success	Outside versus Local Executive						
8	Business Success	Spin-Offs						
9	Business/Innovation/Growth Advocacy	Federal						
10	Business/Innovation/Growth Advocacy	Local						
11	Business/Innovation/Growth Advocacy	Regulatory Agencies						
12	Business/Innovation/Growth Advocacy	State						
13	Capital	Alternative Debt						
14	Capital	Banks/Corporate Finance						
15	Capital	Early Stage VC						
16	Capital	Grants						
17	Capital	Late Stage VC/Private Equity						
18	Capital	Seed/Angel						
19	Facilities	Available Land						
20	Facilities	Conference Centers						
21	Facilities	Flex Space						
22	Facilities	High Speed Internet						
23	Global Connectivity	Customers						
24	Global Connectivity	International Trade Links						
25	Global Connectivity	Media/Press						
26	Global Connectivity	Partners						
27	Global Connectivity	Trade Associations						
28	Local Connectivity	Company to Company						
29	Local Connectivity	Peer to Peer						
30	Local Connectivity	Services and Talent						
31	Other Considerations	Access to Child Care						
32	Other Considerations	Comparable Cost of Doing Business						
33	Other Considerations	Quality of K-12 School Programs						
34	Other Considerations	Youth Sports and Recreation						
35	Personal Finance	Cost of Living						
36	Personal Finance	Housing						
37	Personal Finance	Taxation						

# Appendix II

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## The Innovation Scorecard

ID	Category	Innovation-Growth Factor	Importance			Capacity		
			Most	Very	Important	High	Medium	Low
38	Sense of Place	Access to Outdoor Actives						
39	Sense of Place	Cultural Events						
40	Sense of Place	Diversity of Lifestyles						
41	Sense of Place	Outdoor/ Recreational Opportunities						
42	Talent	Business Development and Sales						
43	Talent	Industry Veterans						
44	Talent	Serial Entrepreneurs						
45	Talent	Skilled Technical Workforce						
46	Talent	Spousal Employment Opportunities						
47	Talent	Venture-Backed Executives						
48	Technical Resources	IP						
49	Technical Resources	M&A Advisory						
50	Technical Resources	Web/IT and Tech Service Providers						
51	Transportation/Logistics	Airport						
52	Transportation/Logistics	Bike Travel						
53	Transportation/Logistics	Bus Transportation						
54	Transportation/Logistics	Getting Around Community Easily						
55	Transportation/Logistics	Getting In and Out of Community Easily						
56	Transportation/Logistics	Logistics Providers						
57	University Higher Education	Business Corporate Industry Partnership						
58	University Higher Education	Commercialization Technology Transfer						
59	University Higher Education	Entrepreneurship Programs						
60	University Higher Education	Talent in the Regional Marketplace						
		Counts	20	20	20	20	20	20

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